

From: CALIFORNIA ISO

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CALIFORNIA ISO

California Independent
System Operator

Terry M. Winter
President and Chief Executive Officer

September 21, 2001

Honorable Spencer Abraham
Secretary of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Honorable Gale A. Norton
Secretary of the Interior
1849 C Street, NW
Washington, DC 20240

Honorable James L. Connaughton
Chairman, Council on Environmental Quality
And Chairman, White House Energy Task Force
Executive Office of the President
17th and G Streets, NW
Washington, DC 20503

Dear Secretaries Abraham and Norton and Chairman Connaughton:

I am writing to alert you to a situation in California that underscores the need for a comprehensive policy for the siting of electricity corridors nationwide.

The California Independent System Operator (ISO) is a not-for-profit, public benefit corporation that ensures open and reliable transmission along more than 25,000 circuit miles of California's long-distance, high-voltage power lines. In this pivotal year for California's electricity market, the ISO and other entities throughout the State are actively pursuing solutions to stabilize and balance the market. One of the most important of these solutions is ensuring the development of adequate transmission capability.

A major impediment to achieving adequate transmission resources is the inability to site transmission facilities. Currently, there is only one major transmission interconnection between the San Diego Gas and Electric (SDG&E) system and the rest of the State of California. This line has limited capacity to import or export power between San Diego and the rest of the State, and it represents a potential bottleneck that could affect reliable service to the southern part of the State in the future. While the ISO is not responsible for siting transmission lines, we did evaluate a number of transmission alternatives to determine whether they would meet current and future reliability requirements. In March, 2001, the ISO recommended that a new 500 kV transmission line be constructed linking the SDG&E system with the rest of the State's electrical grid by the year 2004.

Upon this recommendation, SDG&E filed its application for a Certificate of Public Convenience and Necessity for a 500 kV Interconnect Project ("Valley-Rainbow") with the California Public Utilities Commission (CPUC). The proposed transmission line, which is part of a broader strategy to support reliable service to California consumers, would extend from an existing

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Southern California Edison substation in Riverside county to a proposed substation in San Diego county. The line would significantly increase the import and export capacity of the SDG&E system to California load centers, benefiting all of the State's consumers.

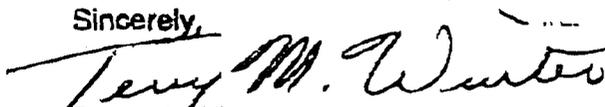
The CPUC application identified both a preferred and a proposed alternative route for the new transmission line. The preferred route was along the easternmost and a portion of the southernmost sides of the Pechanga Indian Reservation, adjacent to the Cleveland National Forest and the Agua Tibia Wilderness Area. However, because the Pechanga Tribe expressed concerns with the location of the transmission line on existing Reservation land, SDG&E proposed the alternative route through a property ("Great Oak property") owned in fee by private citizens. After SDG&E selected this alternative route and filed its application with the CPUC in March, 2001, the Pechanga Tribe purchased the property and asked that the land be taken into trust administratively by the U.S. Department of the Interior. Subsequently, and after SDG&E expressed concern in the record for the administrative action, a legislative rider which would mandate that the land be taken into trust was attached to the Senate Interior Appropriations bill, S. 2217, as Section 132.

The California ISO is concerned that these actions, if carried out, will effectively block any transmission line, since the Tribe has stated publicly that it would not allow a right-of-way across these or other Reservation lands. Given the critical need for new transmission capacity in southern California and the significant investment in planning and evaluation that has already been devoted to this matter, I hope that both the federal government and the Congress refrain from decisions on the pending land-in-trust issues until SDG&E and the Tribe have had adequate opportunity to achieve a negotiated agreement on an appropriate corridor for the line.

The Valley-Rainbow situation illustrates an increasing problem that we are facing in the siting of transmission resources, particularly as energy markets and transmission systems become more regional in nature. I believe that the United States would greatly benefit from a national policy on transmission planning, in which appropriate corridors are identified through coordinated efforts of the federal government, the states, tribes and other interested parties. Once corridors have been identified, the federal government should have the authority to determine rights of way for transmission and to prevent late intervention in the process by legislative or administrative means. Without such protections, it will be increasingly difficult to ensure that consumers have reliable and affordable electricity.

Thank you very much for your consideration of this request. Please don't hesitate to contact me if you have any questions.

Sincerely,



Terry M. Winter
President and Chief Executive Officer